

THE LIBRARY OF CONGRESS
CONSOLIDATED FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 1997
Overview of Operations and Financial Management

THE LIBRARY OF CONGRESS AND ITS MISSION

The Library of Congress, an agency in the Legislative branch of the government, is the world's largest and most comprehensive library maintaining a collection of over 113 million items -- many of them unique and irreplaceable -- in more than 450 languages. It directly serves not only the Congress but the entire nation with the most important commodity of our time: information.

The Library's mission is to make its resources available and useful to the Congress and the American people and to sustain and preserve a universal collection of knowledge and creativity for future generations.

STRATEGIC PLAN AND PRIORITIES

The Library's challenge, under its 1997-2004 strategic plan, is to sustain past gains while becoming a more efficient and effective operation. The Library has a proven record of making knowledge and information accessible to users everywhere -- evidenced by the exponential rate of growth in the Library's Internet transactions and the wide public acclaim of its website.

The Library's critical role as a trusted **knowledge navigator** for the Congress and the nation is made more important than ever by the growing flood of unsorted information available today. The Library's vision for the 21st century is to "lead the nation in ensuring access to knowledge and information and in promoting its creative use for the Congress and its constituents." The strategic plan maps the changes that will ensure that the Library -- the research and information arm of the national legislature and the world's foremost storehouse of knowledge -- continues its worthy tradition of collecting, preserving, sharing, and fostering creativity and learning in support of the Congress, the public and the democratic ideal. Open access is the basic principle of our public library system -- and is more important than ever in helping prevent a division between information "haves" and "have-nots" in the electronic age. The Congress, through its library, is ensuring that the tools of learning -- and of learning about America -- will be universally accessible in the next millennium.

The Library's strategic plan priorities are:

1. to make knowledge and creativity available to the United States Congress;
2. to acquire, organize, preserve, secure, and sustain for the present and future of the Congress and the nation a comprehensive record of American history and creativity and a universal collection of human knowledge;
3. to make its collections maximally accessible to the Congress, the U. S. Government, and the public; and
4. to add interpretive and educational value to the basic resources of the Library.

BRIEF HISTORY

The Library of Congress is a living monument to the remarkable wisdom of the Founding Fathers who saw access to an ever-expanding body of knowledge as essential to a dynamic democracy. The Library's three buildings are named for Thomas Jefferson, John Adams, and James Madison. With their support, the Congress established the Library in 1800 as soon as it moved to the new capital city of Washington and established the Joint Committee on the Library as the first Joint Committee of the Congress in 1802.

Jefferson, in particular, took a keen interest in the new institution. After the British burned the Capitol and the Library during the War of 1812, Congress accepted Jefferson's offer to "recommence" the Library and purchase his multi-lingual 6,487-volume collection (then the finest in America) at a price of \$23,950. It contained volumes on everything from architecture to geography and the sciences. Anticipating the argument that his collection might seem too wide-ranging for Congress, Jefferson said that there was "no subject to which a Member of Congress might not have occasion to refer."

Jefferson's ideals of a "universal" collection and of sharing knowledge as widely as possible still guide the Library. With Congressional blessing, it has grown to serve the Congress and the nation -- largely as a result of four milestone laws: (1) the copyright law of 1870, which stipulated that two copies of every book, pamphlet, map, print, photograph, and piece of music registered for copyright in the United States be deposited in the Library; (2) the 1886 authorization of the first separate Library building that contained openly accessible reading rooms and exhibition space for the general public; (3) the 1902 law which authorized the Library to sell its cataloging records inexpensively to the nation's libraries and thus massively help to subsidize the entire American library system; and (4) the law in 1931 that established the program in the Library to create and supply free library materials to blind and physically handicapped readers throughout the country. Congress thus established the basis both for the continued growth of the collections and for the extension of the Library's services to citizens everywhere.

Congress created in 1914 the Legislative Reference Service (LRS) as a separate entity to provide specialized services to "Congress and committees and Members thereof." In 1946, the Congress granted LRS permanent status within the Library and directed it to employ specialists to cover broad subject areas. Congress renamed the LRS the Congressional Research Service (CRS) in 1970 and enhanced its analytical capabilities by adding additional staff and emphasizing research support to the committees of Congress.

More recently, Congressional statutes have created the American Folklife Center (1976), the American Television and Radio Archives (1976), the National Center for the Book (1977), the National Film Preservation Board (1988), and the National Film Preservation Foundation (1996) -- further extending the Library of Congress' national role.

THE LIBRARY OF CONGRESS TODAY

The core of the Library is its incomparable collections -- and the specialists who interpret and share them. The Library's 113 million items cover more than 530 miles of shelf space and include almost all media through which knowledge and creativity are preserved and communicated.

The Library has more than 26 million volumes, including 5,700 volumes printed before the year 1500; 12 million photographs; 4 million maps, old and new; 2 million audio recordings; 772,000 motion pictures, including the earliest movies; 4 million pieces of music; 49 million pages of personal papers and manuscripts, including those of Presidents Washington through Coolidge; and hundreds of thousands of scientific and government documents.

New treasures are added each year. Recent acquisitions, to name a few, include: **Justice Harry A. Blackmun's** donation of his substantial collection of personal papers to the Library, which will enhance the Library's ability to help scholars understand the evolution of modern constitutional history; the addition of 1,200 drawings and illustrations and 15,000 items from the personal papers of cartoonist and dramatist **Jules Feiffer**; eight vintage silver gelatin prints of the end of World War II by Soviet photojournalist **Yevgeny Khaldei**; a rare poster, **Ben Shahn's For Full Employment after the War**; eight Beaux-Arts drawings and one print by **Napoleon Le Brun**, including those for two of the earliest American skyscrapers; papers and theatrical designs of **Peggy Clark**, one of the foremost lighting designers in the American theater; material additions to the **Ned Rorem Collection**, nearly 75,000 items -- manuscript and printed music, diaries, essays, etc. -- devoted to one of this generation's most celebrated musicians; and important additions to the papers of poet and biographer **Muriel Rukeyser**, a major lyric poet of her generation.

Every work day the Library's staff adds approximately 10,000 new items to the collections, after organizing and cataloging them, and finds ways to share them with the Congress and the nation -- through on-line access across the nation, through in-person access in the Library's reading rooms, and through cultural programs that feature the Library's collections and reach across the country.

The Library of Congress programs and activities are funded by four salaries and expenses (S&E) appropriations, which support congressional services, national library services, copyright administration, and library services to blind and physically handicapped people. A separate appropriation funds furniture and furnishings. Major services include providing annually responses to more than 500,000 congressional requests, registering more than 560,000 copyright claims, cataloging nearly 300,000 books and serials, and circulating more than 23 million audio and braille books and magazines to blind and physically handicapped individuals all across America. The Library also now processes some two million Internet transactions every day (which provide access to the Library's on-line information files that contain more than 40 million records).

OVERVIEW OF FINANCIAL STATEMENTS

For fiscal 1997, the Library has prepared a Statement of Financial Position and a Statement of Operations and Changes in Net Position.

Statement of Financial Position

The assets, as reported on the Statement of Financial Position, total one billion dollars. Non-entity assets (i.e., funds held and invested for future distribution to copyright owners) comprise 73 percent of all assets and total \$728.8 million. Non-entity (custodial) assets increased by \$88.3 million during fiscal 1997 because copyright owners have appealed the Librarian's decision concerning the 1990, 1991, and 1992 cable distribution report of the designated Copyright Arbitration Royalty Panel's (CARPs) under section 802 (g) of the Copyright Act. Pursuant to section 111 (d)(4) (C), funds under controversy have been withheld from distribution during the pendency of the proceeding. Arbitration distribution proceedings under section 802 (c) have not yet begun for cable royalty accounts for 1993, 1994, 1995, and 1996. A partial distribution to copyright owners totaling \$133.7 million was made in October 1997 (at the start of fiscal 1998). The Library is authorized to invest the royalty funds in U.S. Treasury securities until the funds are distributed.

The fund balance with the Department of the Treasury is the Library's largest entity asset (\$160.7 million) and primarily represents the balance of unexpended appropriations. The Library is authorized to invest its trust funds in U.S. Treasury and non-Treasury securities which total \$31 million. The Library has two major accounts receivable items. The intragovernmental accounts receivable amount of \$5.3 million is primarily from unpaid bills for FEDLINK services. The pledges receivable amount of \$11.9 million primarily consists of gift commitments for the National Digital Library program. The largest class of property totaling \$37.3 million (net), is talking book machines on loan to blind and physically handicapped individuals.

The largest liabilities relate to custodial and deposit account activities (e.g., funds held for future distribution to copyright owners). Other large liabilities include funds advanced from other governmental agencies for the FEDLINK program and accounts payable for various operating expenses. The accompanying Statement of Financial Position does not include the acquisition and improvement costs of the Library's buildings and grounds. By law, these buildings and grounds are under the structural and mechanical care of the Architect of the Capitol.

Statement of Operations and Changes in Net Position

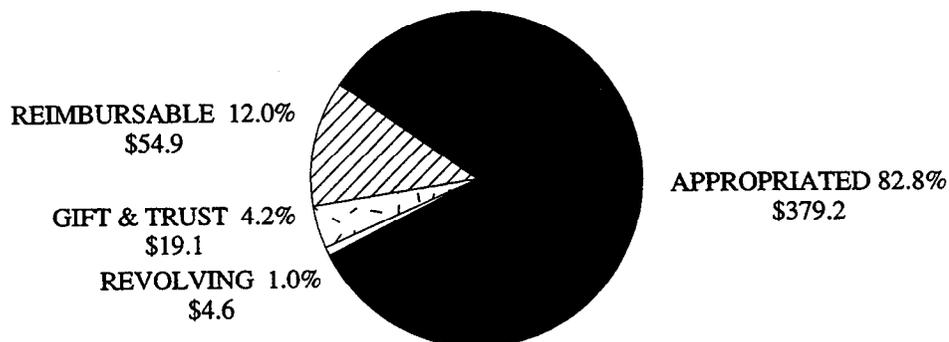
For reporting purposes, Library operations have been divided into five fund groups: Appropriated and General Funds; Reimbursable Funds; Revolving Funds; Gift and Trust Funds; and Custodial Funds.

Funding sources of Library functions for fiscal year 1997, excluding custodial activity, total \$457.8 million. A new imputed financing line item amounting to \$22.3 million for retirement, health insurance, and life insurance costs was added to comply with Statement of Federal Accounting Standards (SFFAS) No. 5. The personnel services and benefits line item was also increased by \$22.3 million resulting in a net zero change. The Library's net position did not change as a result of implementing the new standard. The purpose of recording the equal amounts of revenue and expenses is to reflect the full costs of the benefit programs in the Library's financial statement. The remainder of the revenues are generated from gift, trust, revolving funds, and reimbursements for services provided to other entities.

Expenses total \$452.7 million with personnel services and benefits accounting for the largest item -- \$283.8 million or 62.7 percent. The purchase of Library materials (\$61.2 million) and contractual services (\$52.7 million) are the next two largest expenses. The excess of revenues over expenses is \$5.1 million, but the Library's net position increased by only \$1.5 million due to \$3.8 million in non-operating changes (see Note 10 in section 2).

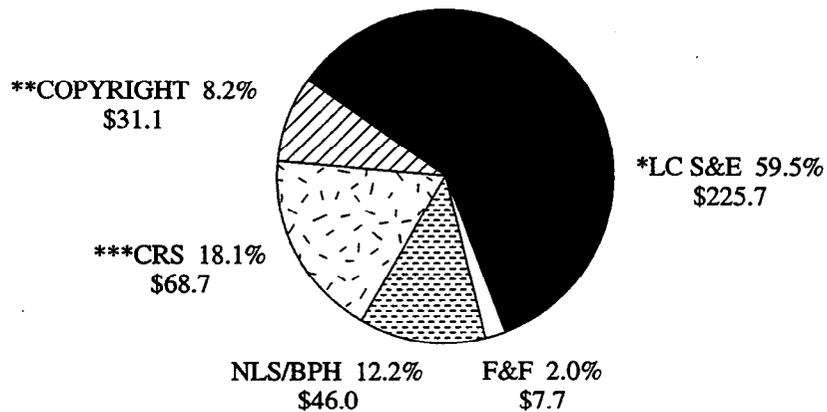
Major Categories of Funding:

Total All Sources - \$457.8 Million



APPROPRIATED AND GENERAL FUNDS - Appropriations account for \$379.2 million (82.8 percent) of Library available funding and include both annual and no-year funds. The annual appropriations are: Library of Congress Salaries and Expenses (LC S&E), Congressional Research Service (CRS S&E), Copyright Office (CO S&E), National Library Service for the Blind and Physically Handicapped (NLS/BPH S&E), and Furniture and Furnishings (F&F). The LC S&E appropriation includes no-year funds for library materials and deacidification preservation projects. The NLS/BPH appropriation includes a no-year account for the NLS program machines, and the Furniture and Furnishings appropriation has a no-year account for restoration and renovation.

Total Appropriations Used - \$379.2 Million



- * Includes \$5.4 million of offsetting collections and \$0.5 million in State Department nonexpenditure transfers
- ** Includes \$17.5 million of offsetting collections
- *** Includes \$1.8 million USAID nonexpenditure transfers

Library of Congress (LC S&E) - This appropriation (\$225.7 million) funds the infrastructure support (i.e., agency management, Human Resources, Information Technology Services, Financial Services, Security, Integrated Support Services) for the Library's three other salaries and expenses (S&E) appropriations -- Congressional Research Service, Copyright Office, and the National Library Service for the Blind and Physically Handicapped.

This appropriation also funds a wide range of National Library and Congressional Services including:

- ▶ **Cataloging** - The Library produces bibliographic records and related products for libraries and bibliographic utilities in all 50 states and territories -- cataloging that *saves America's libraries in excess of \$268 million annually* (the money it would cost them if they had to catalog the books and other materials themselves).
- ▶ **Research and Reference** - The Library makes available to scholars and other researchers vast information resources, many of which are unique, covering almost all formats, subjects, and languages -- each year serving *more than 500,000 readers* in the 20 reading rooms in Washington open to the public and responding to *nearly one million information requests* a year from all over the nation. In addition, the Library responds to *more than 50,000 free interlibrary loan requests* from every state in the nation and to *more than 30,000 requests for book loans from the Congress* each year.

- ▶ **On-line Services** - The Library provides on-line, free access, via Internet, to its automated information files which contain *more than 40 million records* -- to Congressional offices, Federal agencies, libraries, and the public. Internet-based systems include three world-wide-web services (THOMAS, LC-Web, and CRS-web), gopher services (LC-MARVEL), the Library of Congress Information System (LOCIS), and various file transfer options. These Internet-based systems now record some two million transactions daily -- a figure which more than doubled in the course of the past year.
- ▶ **American Creativity** - The Library manages *the nation's largest, most varied, and most important archival collections of motion images, sound recordings, maps, prints, photographs, manuscripts, music, and folklore* -- covering a wide range of ethnic and geographic communities; provides reference assistance to researchers and the general public; conducts field research and promotes the preservation of American culture throughout the United States.
- ▶ **Preservation** - The Library develops and manages a program to preserve the diverse materials and formats in the Library's collections. The program provides a full range of *prospective and retrospective preservation treatment for approximately 400,000 items a year*; conducts research into new technologies; emphasizes prevention techniques including proper environmental storage and training for emergency situations; conserves and preserves materials; and reformats materials to more stable media. The Library plays a key role in developing national and international standards in supporting federal, state, and local agencies in preserving the nation's cultural heritage.
- ▶ **Legal Information** - The Law Library of Congress supplies legal research covering more than 200 foreign jurisdictions to Congress, the Judiciary, Federal agencies, and the public -- *servicing 100,000 users annually*.
- ▶ **Reading Promotion and Outreach** - The Library promotes books, reading, and literacy through the Library's Center for the Book and its *34 affiliated State Centers for the Book* and more than 50 national organizational partners -- and encourages knowledge and use of its collections through other outreach programs (cable TV programs, lectures, publications, conferences and symposia, exhibitions, poetry readings, all primarily supported by private funding) and through use of the Library's home page on the WWW. The Library also gives some 54,000 surplus books and serials annually to qualified libraries through a nation-wide donation program.

Congressional Research Service (CRS S&E) - This appropriation (\$68.7 million) funds the provision of nonpartisan analytical research and information to all Members and committees of the Congress. CRS works directly and exclusively for the Congress in support of its legislative and oversight functions. By maintaining a cost-effective, shared pool of expertise, CRS provides timely and balanced analyses of legislative proposals and public policy issues through provision of reports, tailored confidential memoranda, individual consultations and briefings -- a comprehensive source of information and analysis on almost any legislatively relevant subject.

CRS delivers more than *530,000 research responses and services annually*; of these approximately 138,000 are responses to requests for tailored analyses, information and research.

CRS S&E also supports the Parliamentary Assistance Programs, non-expenditure transfer programs undertaken by the Congress to provide assistance to emerging democratic legislatures in Eastern Europe and the former Soviet Union through the use of research, information, and modern equipment. The programs, totaling \$1.8 million in fiscal year 1997, are funded by the Agency for International Development (USAID) and conducted through CRS under the auspices of the House Special Task Force on the Development of Parliamentary Institutions in Eastern Europe or the Joint Committee on the Library. The Parliamentary Assistance Programs ended on December 31, 1996.

Copyright Office (CO S&E) - The Copyright Office of the Library of Congress administers the U.S. copyright laws and actively promotes international protection for intellectual property created by U.S. citizens -- *annually processing more than 620,000 claims (representing more than 850,000 works transferred to the Library) of which 560,000 claims are registered for copyright and responding to more than 420,000 requests for information.* The Office also administers the copyright law through its regulatory and litigation functions. The Office convenes and supports Copyright Arbitration Royalty Panels (CARPs) for the purpose of distributing hundreds of millions of dollars in royalties that are collected under various compulsory license provisions of the copyright law and for the purpose of adjusting the royalty rates of these license provisions. Most of the Copyright Office is funded by registration fees and authorized deductions from royalty receipts. Copies of works received through the copyright system form the core of the Library's immense Americana collections, which in effect provide the mint record of American creativity. This appropriation totals \$31.1 million including \$17.5 million in authority to spend receipts.

National Library Service for the Blind and Physically Handicapped (Books for the Blind and Physically Handicapped S&E) - The Library manages a free national reading program for blind and physically handicapped people -- *circulating at no cost to users approximately 23 million items a year:* audio and braille books and magazines through regional and subregional libraries and two multistate centers. This program consists of three segments:

1. The Library of Congress selects and produces full-length books and magazines in braille and on recorded disc and cassette and contracts for the production of talking book machines. The Federal appropriation totals \$46 million.
2. A cooperating network of over 140 regional and subregional (local) libraries distribute the machines and library materials provided by the Library of Congress.
3. The U.S. Postal Service receives an appropriation to support postage-free mail for magazines, books, and machines which are sent directly to readers. Reading materials (books and magazines) and playback machines are sent to a total estimated readership of 782,000 comprised of 565,000 audio and braille readers registered individually, in addition to an estimated 217,000 eligible individuals located in 36,000 institutions.

REIMBURSABLE FUNDS - Reimbursable programs accounted for \$54.9 million (12 percent) of Library funding in fiscal 1997. Intra-Library revenue of \$3.7 million was eliminated for consolidation purposes. Two major reimbursable programs make up the major portion of the reimbursable revenues: the Federal Library and Information Network (FEDLINK) and the Federal Research Division (FRD). The Library also provides accounting services for four Legislative agencies under cross-servicing agreements (i.e., the Congressional Budget Office, the Office of Compliance, the John C. Stennis Center, and the Capitol Preservation Commission).

Reimbursable Funds - \$54.9 Million



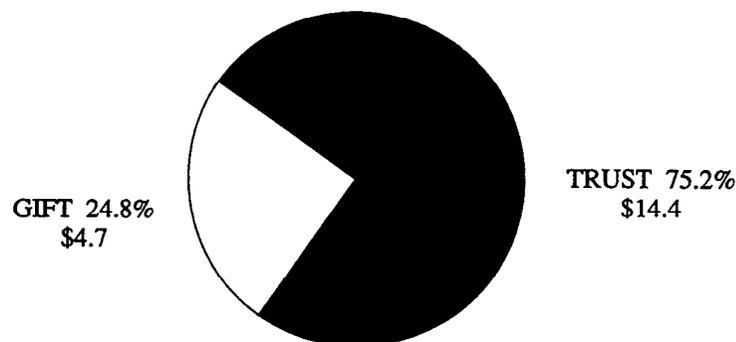
FEDLINK - The Library coordinates services and programs on behalf of all Federal Libraries and Information Centers -- providing education and training programs and administering a cost-effective book, serial, and technical processing and database procurement program for approximately *1,300 participating Federal offices*. Under this program, the consolidated purchasing power of participating agencies permit the Library to negotiate economical contracts with more than 100 vendors resulting in savings of an estimated \$9 million annually. In fiscal 1997, FEDLINK revenues of \$51.5 million consist of \$46.5 million for payment of member services and \$5 million for administrative costs.

Federal Research Division (FRD) - The Federal Research Division provides customized research services that the Library is uniquely able to perform as a result of its collections and subject and language expertise of its staff. A popular FRD product, available on-line via the Library's World Wide Web (WWW) homepage, is the country study series of books. These books are produced as a result of a reimbursable agreement with the Department of Defense.

GIFT AND TRUST FUNDS - Under the authority of 2 U.S.C. 175; 20 U.S.C. 2106; and the Trust Fund Board Act of 1925, as amended (2 U.S.C. 154-163), the Library operates 222 gift and trust funds which made up approximately 4.2 percent of the Library's funding in fiscal 1997. Gifts to the Library for immediate use may be accepted by the Librarian of Congress. The Trust Fund Board receives, administers, and invests gifts, bequests, and devises of property for the benefit of the Library, its collections, or its services. The Trust Fund Board consists of thirteen members: three ex-officio members, the Librarian of Congress, the Secretary of Treasury, and the Chairman of the Joint Committee on the Library; two members appointed by the President of the United States; four members appointed by the House of Representatives; and four appointed by the Senate. Activities supported by gift and trust funds include:

- ▶ acquisition of library materials, including obtaining hard-to-acquire research materials on behalf of participating U.S. research libraries and the maintenance and development of a Japan Documentation Center to increase knowledge of and access to current Japanese public policy information;
- ▶ research, reader and reference services, including the Library's National Digital Library, the Film Preservation Program, activities related to acquisition and maintenance of research materials from Korea, and Congressional seminars and workshops;
- ▶ organization (e.g., cataloging) of the collections, including the centralized services of Documents Expediting Project, Dewey Decimal classification, and maintenance and development of the Caroline and Erwin Swann Collections and the Charles and Ray Eames Collections; and
- ▶ public programs, including Library exhibitions, music programs and performances, and public outreach presentations through lectures, symposia, publications, special events and electronic distribution of information.

Gift and Trust Funds - \$19.1 Million



Major trust funds include: the James Madison National Council Fund, the National Digital Library, the Carolyn R. Just Fund, and the Leonora J. McKim Fund. Gift and trust fund revenue for fiscal 1997 totaled \$19.1 million which includes the effect of an increase in pledges receivable of \$1.5 million.

James Madison National Council Fund - The James Madison National Council is an advisory body of public spirited individuals that contributes ideas, expertise, and financial support to promote the Library's collections and programs. The Fund was begun in 1989 by Dr. James Billington, the Librarian of Congress, to encourage donations and counsel. Since the initial contribution from the Encyclopedia Britannica, the Fund has benefitted from the many donations of the Council members. The money is used for special programs of the Library. At the end of fiscal year 1997, the value of the Fund was \$3.4 million and revenue for the year, including donations and interest, was \$1.8 million.

National Digital Library Fund - The National Digital Library Fund supports the Library's public-private partnership to digitize the most important and interesting historical Americana materials from the collections for viewing by American citizens, in schools, libraries and homes everywhere. The overall plan is to digitize millions of items by the year 2000 -- the Library's bicentennial. Making these priceless treasures of American history accessible to all Americans in their own local communities, is central to the Library's goal of enriching education in America and widening access to the documentary record of America's knowledge and creativity. At the end of fiscal 1997, the value of the NDL Funds was \$19.8 million and revenue for the year, including donations and interest, was \$6.2 million.

Carolyn R. Just Fund - The purpose of the Carolyn R. Just Fund is for performances or broadcasting of concerts of classical chamber music at the Library of Congress in the Coolidge Auditorium. The value of the Fund at September 30, 1997, was \$2.8 million.

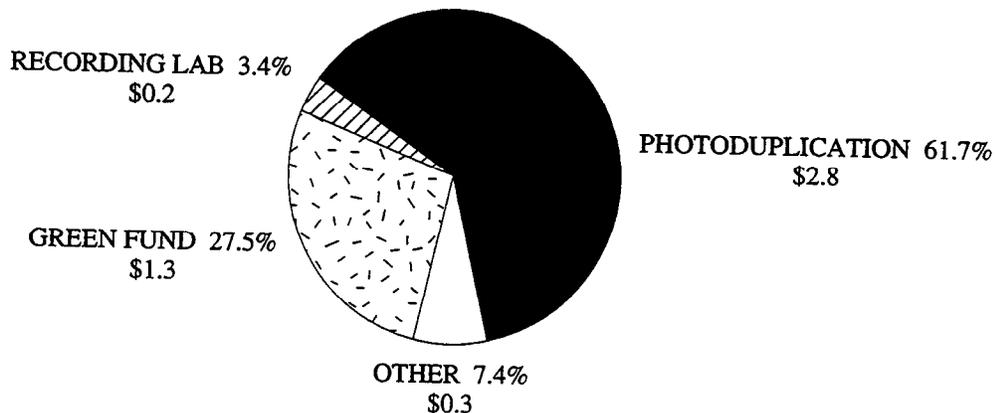
Leonora Jackson McKim Fund - The McKim Fund's purpose is for furtherance of original violin compositions with piano accompaniment, composed by American students of the violin, and to advance student studies in the United States and abroad through payment of tuition and travel. The value of the Fund was \$4 million at September 30, 1997.

REVOLVING FUNDS - Under the authority of 2 U.S.C. 160, the Library of Congress operates eleven gift revolving fund activities to provide, in various formats, duplication and preservation services, exhibits and other special programs, and retail marketing, to other Government agencies, libraries, other institutions, and the general public. Through these activities, the Library is able to further its programs dealing with the acquisition of library materials, reader and reference services, and support for public programs.

Although these funds were created by gifts which donors designated to be used for self-sustaining activities, the General Accounting Office (GAO) believes that the Library has exceeded its authority by operating revolving funds with gift monies which generate revenues exceeding the original gifts. Therefore, as recommended by GAO, the Library has requested specific statutory authority to operate the gift revolving funds. The revolving fund legislation has been submitted to the Congress annually since 1991.

After eliminating intra-Library transactions of \$3.3 million, revolving fund activities accounted for \$4.6 million (.9 percent) of the funding in fiscal 1997. The major funds are: Photoduplication Service, Recording Laboratory, and the Constance Green Fund.

Revolving Funds - \$4.6 Million



Photoduplication Service - The Photoduplication Service provides preservation microfilming services for the Library's collections and reprographic services to other libraries, research institutions, government agencies, and individuals in the United States and abroad. Revenues were \$5.8 million in fiscal year 1997 and intra-Library transactions of \$3 million were eliminated during consolidation.

Recording Laboratory - The Recording Laboratory provides preservation services for the Library's collections and audio and video duplication services for the general public. Audio and video products are also produced for sale to the general public. Revenue for fiscal year 1997 was \$387 thousand of which \$234 thousand was for intra-Library transactions which were eliminated in the consolidated statements.

Constance Green Fund - The Constance Green Fund supports the Library's retail marketing sales shop activities. Revenue for fiscal year 1997 was \$1.3 million.

CUSTODIAL FUND - The Library administers the national compulsory and statutory licensing provisions in the Copyright Act (Title 17 of the United States Code). These are:

- ▶ Compulsory license for secondary transmissions by cable systems (section 111);
- ▶ Compulsory license for the digital performance of sound recordings (section 114);
- ▶ Compulsory license for making and distributing phonorecords (section 115);
- ▶ Compulsory license for the use of certain works in connection with noncommercial broadcasting (section 118);
- ▶ Statutory license for secondary transmissions by satellite carriers for private home viewing (section 119);
- ▶ Compulsory license for public performances on coin-operated phonorecord players (section 116, [1978-1989, 1993-], section 116A (1990-1993); and
- ▶ Statutory obligation for distribution of digital audio tape recorders and media (chapter 10).

The Library's Copyright Office Licensing Division collects royalty fees from cable operators for retransmitting television and radio broadcasts (section 111), from satellite carriers for retransmitting "superstation" and network signals (section 119), and from importers or manufacturers for distributing digital audio recording products. The Library deducts its full operating costs from the royalties (as appropriated by Congress as offsetting collections), and invests the balance in interest-bearing securities with the U.S. Treasury for later distribution to copyright owners by copyright arbitration royalty panels. The Library of Congress held \$728.8 million at September 30, 1997, for distribution to copyright owners.

KEY PERFORMANCE MEASURES

Since 1993, the Library's collections have increased from 104.8 million to 113 million -- an increase of 8.2 million or 7.8 percent. Over the same five-year period, the full-time equivalent (FTE) staff paid by appropriated funds has decreased from 4,492 to 4,010 -- a decrease of 482 FTE's or 10.7 percent. The annual quantity of print materials cataloged increased from 260,957 in 1993 to 289,154 in 1997 reflecting higher staff productivity, and the arrearage of unprocessed materials declined by 7.5 million items. The Library's Internet transactions have grown dramatically from seven million in fiscal 1993 to 345.2 million in fiscal 1997. Internet-based systems include three world-wide-web services (THOMAS, LC-Web, and CRS-Web), gopher services (LC-MARVEL), the Library of Congress Information System (LOCIS), and various file transfer options. These Internet-based systems now record some 2 million transactions daily. This rapid growth will almost certainly continue to increase because the Library has just begun to put online American history collections as the core of a National Digital Library. This program seeks to make millions of items from the Library's unique collections as well as other institutions locally available in electronic form throughout the country by the year 2000.

Other noteworthy workload changes are:

- ▶ The number of Congressional requests annually answered by the Congressional Research Service (CRS) decreased from some 607,000 in 1993 to 531,000 in 1997. This decrease reflects several factors. First, in 1993, a single request for multiple CRS products (e.g., Reports, Issue Briefs, and InfoPacks) was split into three requests and were answered by different organizational units. Product fulfillment is now consolidated, resulting in only one request recorded regardless of the number of type of product requested. Second, some responses in 1993 were requested and delivered in-person or on the telephone; with the introduction of CRS' Home Page, many of those requests are now made through direct electronic access by congressional requesters. Because many questions may be answered through a single electronic session, the conservative method of recording electronic access results in a lower count of requests.
- ▶ The annual number of registrations in the Copyright Office decreased from some 604,894 in 1993 to 569,226 in 1997, and the number of copyright inquiries answered remained relatively stable.
- ▶ The number of information requests handled by reference staff decreased from 1.3 million in 1993 to 1.1 million in 1997, which parallels the decrease in reading room hours and the increase in Internet usage.
- ▶ The number of free reading materials delivered across the country each year to the blind and physically handicapped increased from 21.8 million in 1993 to 23.1 million in 1997.

THE LIBRARY OF CONGRESS
COMPARISON OF APPROPRIATIONS, STAFF, AND WORKLOAD STATISTICS
 For the Fiscal Years 1993, 1994, 1995, 1996, and 1997

	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	CHANGE 1993-1997	% CHANGE
LIBRARY APPROPRIATIONS - ACTUAL	\$334,316,000	\$330,864,000	\$348,230,000	\$352,399,000	\$361,896,000	+\$27,580,000	+ 8.25
FULL-TIME EQUIVALENT (FTE) POSITIONS (Appropriated)	4,492	4,163	4,180	4,114	4,010	+482	- 10.7
SIZE OF LIBRARY COLLECTIONS	104,834,652	107,814,587	108,433,370	111,080,666	113,026,742	+8,192,090	+ 7.81
WORKLOAD STATISTICS:							
Unprocessed Library Arrearages	27,456,787	25,431,296	22,491,071	20,970,523	19,952,205	-7,504,582	- 27.33
CRS - Requests & Services Provided Congress	607,000	536,000	492,000	487,000	531,162	-75,838	- 12.49
Loans of Collections to Congress	43,876	43,465	36,368	31,026	30,708	-13,168	- 30.01
Copyright Claims Registered	604,894	530,332	609,195	550,422	569,226	-35,668	- 5.9
Copyright Inquires	433,700	402,163	500,746	432,397	421,150	-12,550	- 2.89
Services to the Blind & Physically Handicapped (BPH) - Readership	767,800	777,300	772,100	776,000	782,000	+14,200	+ 1.85
BPH - Books & Magazines, Total Circulated	21,802,200	22,586,000	22,909,400	22,908,900	23,150,000	+1,347,800	+ 6.18
BPH - New Braille & Audio Books & Magazines Titles	2,322	2,327	2,328	2,568	2,700	+378	+ 16.28
Print Materials Cataloged	260,957	279,809	276,348	289,509	289,154	+28,197	+ 10.81
National Coordinated Cataloging Operation (NACO) - LC Contribution	118,921	114,333	124,911	115,714	118,054	-867	- .73
National Coordinated Cataloging Operation - Outside Contribution	75,794	78,176	96,655	106,182	146,858	+71,064	+ 93.76
Exhibits, Displays, & Publications (Funded by Appropriations)	31	31	27	15	14	-17	- 54.84
Regular Tours	27,954	29,952	47,300	47,847	56,716	+28,762	+ 99.42
Reference Service	1,306,264	1,198,358	1,145,757	1,129,952	1,094,588	-211,676	- 16.20
Main Reading Room & Five Other Reading Rooms Hours Per Week	69	65	65	65	65	-4	- 5.80
Items Circulated	2,345,151	2,403,002	2,289,981	2,175,075	2,070,798	-274,353	- 11.70
Preservation Treatment - Original Format	304,134	288,111	339,636	274,086	309,597	+5,463	+ 1.80
Mainframe Computer Transactions	112,491,847	152,095,306	197,216,679	204,297,492	247,691,844	+135,199,997	+ 120.19
Machine Readable Cataloging (MARC) Records	24,670,791	25,090,965	26,100,661	26,320,667	27,519,078	+2,848,287	+ 11.55
Internet Transactions (i.e., LOCS, MARVEL, WORLD-WIDE-WEB, and THOMAS public transactions)	7,028,995	38,422,986	92,873,807	134,416,660	345,221,229	+338,192,234	+ 4,811.39

Mar. 1998

MAJOR ACCOMPLISHMENTS IN FISCAL YEAR 1997

During fiscal 1997, the Library developed a 1997-2004 Strategic Plan; provided objective, timely, nonpartisan, and confidential legislative support to the Congress on a wide range of issues; improved services to the Congress and the nation through technology including dramatic increases in Internet usage and receiving many Internet awards; celebrated the 100th anniversary of the Thomas Jefferson Building and inaugurated the Library's Bicentennial efforts; reduced our uncataloged backlog by another million items; received an unqualified "clean" audit opinion on the Library's fiscal 1996 consolidated financial statements; and improved the security of our collections. Highlights of these and other major achievements are listed below:

- ▶ **Strategic Plan (1997 - 2004)** - During fiscal 1997, the Library developed a 1997-2004 Strategic Plan that identifies the mission, priorities, values, and objectives to take the Library into the 21st century. In phase two of the planning process, each service unit and support area will identify specific action items to accomplish agreed-upon priorities and objectives. The Congress also approved the establishment of a Planning, Management, and Evaluation Directorate (PMED) to monitor the plan's implementation and to synchronize the planning and budgeting processes. The development of the plan and the establishment of PMED fulfill two critical tasks contained in the Library's 1996 Management Improvement Plan (MIP). Many of the accomplishments listed in this section reflect progress in achieving Strategic Plan and MIP objectives.

- ▶ **CRS Legislative Support to Congress** - CRS assisted the Congress in dealing with the full range of its domestic and international concerns. Among the domestic issues addressed by the Congress in fiscal 1997 were the balanced budget agreement, Medicare and children's health, immigration, welfare reform, higher education, the line item veto, the Government Performance and Reauthorization Act, telecommunications and Year 2000 computer problems, 1996 Farm Bill implementation, reform of the Food and Drug Administration, research and development funding, campaign finance, taxation, Superfund reauthorization, nuclear waste storage, highway legislation, and NASA reauthorization and space stations. In the international sphere, the Congress dealt with U.S. trade policy, NATO enlargement, United Nations funding and reform, international terrorism and narcotics policy, relations and trade with China and Japan, and the reversion of Hong Kong to Chinese administration. Some highlights of this support follow.
 - ◆ **Balanced Budget Agreement.** The balanced budget agreement was a focus of the 105th Congress and resulted in the enactment of the Balanced Budget Act of 1997. CRS specialists provided information and analyses related to reforms of the budget process and to enforcement mechanisms, the deficit, federal debt and the debt limit, and federal credit. CRS provided support to Members and committees on the many social and economic policy issues addressed within the Act, among them the long-term Medicare and Medicare financing, Medicaid fraud and abuse, children's health

insurance, changes in Medicaid provisions for children, cash welfare, food stamps, and inclusion of the Social Security surplus in the deficit calculation.

- ◆ **China's Most-Favored-Nation Status and Return of Hong Kong to Chinese Control.** The 105th Congress addressed a wide range of issues relating to U.S.-China relations including trade, weapon sales, human rights, the certification of China's eligibility for Most Favored Nation status and alternatives to the current certification procedures and conditions, and China's bid to join the World Trade Organization. A comprehensive study was prepared by legal and foreign experts that examined Hong Kong's reversion to China and its myriad implications for U.S. interests.
- ◆ **Campaign Finance.** With more than ninety bills introduced in the fiscal year, CRS specialists provided consultation as the Congress prepared legislation and hearings on the topic, contributed expertise on foreign money in U.S. elections, examined developments in campaign finance practices, and participated with the subsequent congressional investigation into allegedly illegal and improper practices. CRS also assisted the Congress with legislation granting special investigative powers to a committee in order to proceed with its investigation.
- ◆ **Taxpayer Relief.** During congressional consideration leading to the Taxpayer Relief Act of 1997, CRS economists provided assessments and assistance on a range of issues: capital gains, Individual Retirement Accounts, per-child tax credits, aviation taxes, estate taxes, tax exempt bonds and tax benefits for education. CRS also provided the Congress with analysis on farm tax issues, the tax-exempt status of credit unions, the flat tax, and general tax reform.
- ◆ **U.S. Trade Policy.** As the Congress considered renewal of "fast track" legislation, CRS experts analyzed the impacts of these proposals on trade balances, the economy, employment, and the environment. The Service also prepared analyses of proposals to renew the Generalized System of Preferences program (GSP), which would extend the preferential tariff treatment accorded imports from Mexico under NAFTA to imports from Caribbean Basin countries.
- ◆ **Line Item Veto.** The 105th Congress continued to debate line-item veto issues, and CRS analysts produced new reports and coordinated a range of activities such as House committee staff briefings, assistance with Senate documents related to the *Byrd v. Raines* decision, a committee print on procedural questions, and a summary of provisions included in the Act.
- ◆ **Government Performance and Results Act (GPRA).** GPRA mandated that federal agencies provide to the Congress by September 1997 the strategic goals and plans to achieve improved efficiency and accountability in government. A CRS interdivisional team responded to Member and committee GPRA-related questions, conducted workshops on the issues, and produced a comprehensive handbook containing legislation applicable to management of executive branch agencies.

◆ **Medicare.** Extensive Medicare reform was enacted in the Balanced Budget Act of 1997. Major issues included savings needed to achieve budget objectives and reforms to address the program's long-term financing problems. CRS experts assisted with fraud and abuse provisions, private plan options for program beneficiaries, and expansion in coverage of preventative services. Analysts developed a comprehensive simulation model used by committees to determine aggregate and distributional effects of varying payment methodologies.

- ▶ **Copyright Office Legislative Support to Congress** - Many important copyright issues were considered by the Congress during fiscal 1997. Some of the issues on which the Copyright Office provided advice and support to the Congress include: the liability of online service providers for infringements taking place over the Internet; the implementation of the two new World Intellectual Property Organization copyright treaties which concluded in December 1996; the proposed new and expanded exemptions for music licensing; the extension of the term of copyright protection; the copyright status of pre-1978 musical works distributed in phonorecords; and the criminal copyright infringement on the Internet. The Copyright Office also provided technical assistance in drafting various bills and worked closely with the Congress to pass a bill which clarifies certain technical provisions of the copyright law and helps the Office perform its duties more efficiently and economically.

From April through July 1997, the Office presented four seminars for members of Congress and their staff on current copyright issues relevant to policymakers. In August 1997, the Office submitted to the Congress two comprehensive reports, one on the subject of legal protection for databases, and the other making recommendations for the future of the cable and satellite compulsory licenses in the Copyright Act. Finally, the Office responded to numerous congressional inquiries about domestic and international copyright law and registration and recordation of works of authorship.

- ▶ **Providing Better Services to the Congress and the Nation through Technology:** The Library continues to improve its cataloging, copyright, research, management, and delivery systems through the development and use of technology-based systems, services, and products that improve the ability to serve the Congress and the nation more efficiently and effectively. The Library has received numerous awards for providing access to the content of the collections (see attachment 4). Specific achievements during fiscal 1997 include:

- ◆ **Thomas Internet System** - Since January 5, 1995, THOMAS, a world-wide-web (WWW) based Internet resource, has provided searching and access to legislative information and links to other legislative Internet resources. In January 1997, the THOMAS home page was redesigned to facilitate system usage and to improve links to other Internet resources. The search engine was upgraded for Bill Text, *Congressional Record*, *Congressional Record Index*, and Committee Reports. The Bill Digest files for the 93rd through 105th Congresses (1973-present) were added, and the capability to download the text of Committee Reports was provided. In addition to

the text version, images of the printed Bill Text and Committee Reports are available by linking to the Government Printing Office Web site. Similarly, users may obtain House Committee information such as meeting schedules and hearing transcripts by linking to the Clerk of the House Web site. A database for congressional member history is under development. Usage of the THOMAS system nearly quadrupled over the past year from 2.6 million transactions in September 1996 to 10.2 million transactions in September 1997. As of September 30, 1997, more than 110 million transactions had been processed by the THOMAS system since its inception in January 1995.

- ◆ **Development of a Legislative Information Retrieval System (LIS).** Working with the Committee on House Oversight, the Senate Committee on Rules and Administration, in consultation with the House and Senate Subcommittees on Legislative Branch Appropriations, the Library and CRS developed a plan for a single integrated legislative information retrieval system to serve the Congress. The first phase of the requisite LIS was delivered to the 105th Congress on January 7, 1997. It consists of the same legislative information available on the THOMAS system, as well as restricted files such as CRS Issue Briefs, the Public Policy Literature files, and links to House and Senate information.
- ◆ **Internet Access** - The Library is providing more and more information to the Congress and the public via its Internet-based systems including three world-wide-web services (THOMAS, LC-Web, and CRS-web), gopher services (LC-MARVEL), the Library of Congress Information System (LOCIS), and various file transfer options. The Library's home page was redesigned in February 1997 to facilitate use. Access to the Library's internet resources is growing at an exponential rate as the National Digital Library adds on-line content and other features are made available. Having tripled from 1992 to 1996, the average number of monthly transactions on the Library's public computer systems doubled to 40 million during fiscal 1997. In September 1997, the Library recorded more than 49 million transactions as compared with nearly 22 million recorded in September 1996.

"Public Access to the Internet" workstations were made available in many of the Library's reading rooms during fiscal 1997, and as a result, the Internet and the World Wide Web gained increasing importance in reference service.

- ◆ **Global Legal Information Network (GLIN)** - GLIN is a cooperative international network in which nations are contributing the full, authentic text of statutes and regulations to a database hosted by the Law Library of Congress. The Library demonstrated a new input/update system to the Fourth Annual GLIN Project Directors Meeting in August 1997 and is testing the next GLIN software release prior to the production phase. The Library also began a requirements analysis for conversion of existing abstract data into a new format required for production release of the system. There are eleven members participating via the Internet, and the Library projects that GLIN membership will soon increase to 15-20 nations.

- ◆ **National Digital Library** - The National Digital Library Program (NDL) made significant progress during fiscal 1997 toward the ambitious goal of making a critical mass of Americana freely accessible to all Americans by the year 2000, the Library's Bicentennial. At the end of fiscal 1997, more than 430,000 digital files are available on-line or in digital archives. In addition, more than 3,000,000 digital files, from both our own archives and through collaborations with other great repositories, are in various stages of production. An outside advisory board, the NDL Advisory Committee of historians, educators, and librarians was formed in 1997 to counsel the Library on content issues such as collection selection and appropriateness of materials. The Committee has offered constructive recommendations to the Library. Major fiscal 1997 accomplishments include:

Library of Congress Collections Placed On-line. Ten new on-line collections, illustrating the breadth and depth of the Library's multimedia holdings, debuted during fiscal 1997: *California As I Saw It: First-Person Narratives of California's Early Years, 1849-1900 (Text)*; *Words & Deeds in American History: Selected Documents Celebrating the Manuscript Division's First 100 Years (Text)*; *Taking the Long View: Panoramic Photographs, ca. 1851-1991 (Photographs)*; *By Popular Demand: Portraits of the Presidents and First Ladies, 1789-Present, (Photographs)*; *By Popular Demand: Votes for Women: Suffrage Pictures, 1850-1920. (Photographs)*; *Panoramic Maps, 1847-1921 (Maps)*; *California Gold: Northern California Folk Music from the Thirties (Sound Recordings)*; *Inside an American Factory: Films of the Westinghouse Works, 1904. (Early Motion Pictures)*; *The American Variety Stage: Vaudeville and Popular Entertainment, 1870-1920. (Multi format)*; *The New Deal Stage: Selections from the Federal Theatre Project, 1935-1939 (Multi format)*.

On-line Previews. NDL adapted the concept of previewing collections on the American Memory Web site during 1997. The previews offer glimpses and samples of the breadth and depth of collections about to come on-line in their entirety. This showcasing vehicle has proved highly popular. Previews that debuted in FY 1997: *Built in America: Historic American Buildings Survey/Historic American Engineering Record, 1933-Present*; *Baseball Cards, 1887-1914*; *Inventing Entertainment: Early Motion Pictures and Sound Recordings from the Thomas A. Edison Companies*; *Uniting a Nation: Two Giants of Telecommunications, Alexander Graham Bell and Samuel F.B. Morse.*

Today in History. April 1, 1997, saw the beginning of a popular daily Web programming feature of LC's web site, the *Today in History* service. Each day, a notable event that took place on that day is marked by a small essay illustrated by documents from the collections in the American Memory site. Past days are available in an easily searched archives.

LC/Ameritech Collections Underway. In the first year of the three-year competition, made possible by a two million-dollar gift from the Ameritech

Foundation, awards totaling more than \$500,000 were made to ten institutions from across the United States for digitizing historically significant American collections and making them available via the World Wide Web. The award-winning projects were selected from seventy-six eligible proposals through a process of rigorous evaluation by scholars, educators, technical specialists, and administrators in panels convened by the National Endowment for the Humanities and by the Council on Library and Information Resources. The LC/Ameritech collections include 19th century sheet music, photographs documenting the settlement of the Great Plains and first-person narratives of Southern life in the 1800's.

Wavelet Image Compression Technology. NDL successfully integrated Multi-Resolution Seamless Image Database (MrSID) technology, donated by LizardTech, to provide enhanced Internet-based delivery of large-scale detailed maps in its collection. A user accessing maps from the **Panoramic Maps** collection, for example, can now download compressed files from the digital map archives, and using the MrSID selective decompression feature, gain access to any portion of the map image at various levels of detail by specifying a "zoom level."

The Learning Page. The Learning Page added new features. New sample teaching materials developed by educational consultants demonstrate how to use electronic primary sources in teaching. Two examples are *In Congress Assembled*, which draws on documents from the Continental Congress and from THOMAS, the Library's on-line legislative database, to teach the history of the Congress and *Port of Entry: Immigration*, which was developed for distribution on a diskette to demonstrate alternative off-line methods for using electronic primary sources. The Learning Page also was enhanced to include more activities for students such as **The Big Picture**, a monthly series of jigsaw puzzles and accompanying research questions.

American Memory 1997 Fellows Program. A pilot program, funded by the Kellogg Foundation gift, was implemented to help schools make powerful educational use of the American Memory collections. Twenty-five teams of K-12 humanities teachers and school media specialists from across the country were selected as American Memory Fellows to learn about electronic primary sources and to create exemplary teaching units that can be shared with other educators. The program featured a week-long Educators Institute in Washington in July, preceded by a 4-week on-line web-based orientation session. The program continues through the 1997-98 academic year with on-line shared testing of teaching units, and culminates in evaluation reports and the dissemination of results in the spring of 1998.

- ◆ **ACCESS System** - The Library's ACCESS system, a user-friendly way for patrons visiting a reading room to access the Library's information files electronically without training or assistance, now operates in 16 locations at the Library and in several

House and Senate locations. The web version of the ACCESS system was made accessible to Internet users in February 1997. In May 1997, additional touchscreen workstations were installed in the new Thomas Jefferson building Visitors' Center to provide basic information about the Library. Several of these workstations are equipped with a keyboard and mouse to enable visitors to search the Library's databases.

- ◆ **Geographic Information System** - The Geography and Map (G&M) Division is a leader in the cartographic and geographic information communities through its work in geographic information systems (GIS). G&M continues to work closely with CRS to include maps in written reports and with the National Digital Library to digitize materials. Working closely with private-sector partners, the Geographic and Map Division put into production the capability to create large format digital images and the ability to transmit and display these images through the Internet. On June 9, a virtual map collection of 26 historic panoramic maps of nineteenth century American cities was released worldwide, inaugurating a new chapter in the Library's efforts to make its collections available to a broader audience. Subsequently, 426 additional panoramic maps (1,356 images) were scanned and added to the web site that averages about 30,000 computer transactions each month.

- ◆ **Projects in Development and Test Status:**
 - (1) The Copyright Office Electronic Registration, Recordation and Deposit System (CORDS), a major new system for digital registration and deposit of copyrighted works over the Internet, uses the latest advances in networking and computer technology. It is being developed by the Copyright Office in collaboration with national high-technology research and development partners (Defense Advanced Research Projects Agency and Corporation for National Research Initiatives). CORDS is a key component of the global infrastructure for digital libraries of the future. CORDS will also help the Copyright Office streamline its internal registration, recordation and deposit processes, as well as provide the Library of Congress with copies of new copyrighted works in digital form for its National Digital Library repository. **Status:** The Copyright Office successfully opened two new external test sites in 1997 at Stanford University and MIT Press and continued developing, testing, and enhancing the basic CORDS production system. The Copyright Office is systematically building toward national implementation in the year 2000 for electronic registration and deposit of copyrighted works over the Internet. As many as 100,000 works in digital form could be received through CORDS annually by the year 2004.

 - (2) The Electronic Cataloging in Publication (ECIP) project is enabling the Library to obtain texts of forthcoming publications from publishers via the Internet, catalog them entirely in an electronic environment, and transmit the completed catalog records via email to the publisher for inclusion on the copyright page of the printed book. **Status:** Sixty-four publishers are now participating in this project. Staff cataloged 1,076 titles, bringing the cumulative total since the experiment's inception to 2,158.

During fiscal 1997, the basic components of the ECIP production system were completed.

(3) During fiscal 1997 (fiscal 1998 budget), the Congress approved an Integrated Library System (ILS) project to improve automation support for bibliographic control and inventory management activities at the Library. The ILS project will implement a single system that uses a shared bibliographic database to integrate all major Library Services functional areas, such as acquisitions, cataloging, serials management, circulation, inventory control, and reference.

Status: A dedicated Project Team has been assembled and is proceeding with the procurement of the system and implementation planning. A formal Source Selection Process is being followed for the procurement and, following congressional review, the selection of a commercially available system is scheduled for the spring of 1998.

- ▶ **Year 2000 Century Change** - The impending century change will affect Library systems that are date-dependent. Hardware and software systems that require specific dates to execute must be modified or replaced with systems capable of functioning with four digit dates in order to distinguish between the year "1900" and "2000." To prepare for the transition to the Year 2000, the Library has developed a detailed Year 2000 plan using GAO guidance. The Library has assigned leadership responsibilities, managerial and technical, for planning and program implementation and is participating in the GAO Year 2000 Legislative Branch progress review. Each of the Library's mainframe, UNIX, server and workstation-based systems is being inventoried and analyzed and work to repair or replace non-compliant systems is underway.

- ▶ **Security of Facilities, Staff, and Collections** - During fiscal 1997, a centralized security organization was established and the Library's first Director of Security was appointed. Additionally, several hundred of the recommendations of the comprehensive physical security survey of the Library and its collections, conducted by Computer Sciences Corporation (CSC), were implemented. Many of these involved key and lock control, installation of closed-circuit surveillance and intrusion detection systems, and access control measures for areas housing collections. The first two of the planned, multi-year, series of comprehensive risk assessments were completed, covering the Geography and Map Division and compact disc security in the Copyright Office. In addition to the completion of the Library's security plan (discussed below), major security accomplishments during fiscal 1997 include: (1) completion of access control and internal security measures for the re-opened and renovated Thomas Jefferson building; (2) installation of extensive high-technology physical and electronic security measures for the Top Treasures display; (3) completion of a vulnerability assessment of the Library buildings exterior and parking facilities; (4) reduction of police overtime hours through curtailment and modification of security post hours; (5) installation of surveillance cameras in ten reading rooms; (6) modifying the Library's interim inventory control database, the Collections Control Facility (CCF) to include retention of information on mutilated collections items; (7) continuing to provide increased physical security of collections storage areas by installing electronic access control systems to the main

control room in the Thomas Jefferson building; and (8) inventorying collections in the custody of the Rare Book and Special Collections Division such as the Carson, Yudin, and Ellison collections.

- ▶ **Security Planning** - A highlight of fiscal 1997 was the completion of a comprehensive Library Security Plan. The plan provides a framework for the physical security of the Library's collections, facilities, staff, visitors and other assets. Collections security is the centerpiece. The plan was developed by a team of security professionals, curators, and senior librarians. The plan articulates a collections prioritization scheme that establishes five different levels of risk, providing the strongest protection for the Library's *Treasures* and rare items, and lesser degrees of security controls for other collections. The process of assessing the status of collections security within custodial divisions has been initiated. Finally, the plan includes a schedule of 34 actions, of which 22 address collections security and 12 focus on the protection of facilities, staff and other assets.

During fiscal 1997, the Library also took several measures to safeguard its valuable computer resources, including taking additional measures to safeguard the computer center facilities, issuing new password guidelines for mainframe and server-based systems, forming a Library-wide Computer Security Coordination Group, and issuing an operational "Computer Security Plan." The Computer Security plan outlines the highest priority safeguards which must be implemented in order to mitigate existing vulnerabilities.

- ▶ **Arrearage Reduction/Cataloging** - The Library continued to focus on arrearage reduction during fiscal 1997, reducing the arrearage total by more than one million items while maintaining currency with new receipts. This represents a cumulative reduction of 49.7 percent of the amount on hand at the time of the initial arrearage census in September 1989 -- from 39.7 million to 19.9 million. The processing of print materials continues to remain at record levels, even as staffing levels continue to drop -- staff created cataloging records for 289,154 volumes and inventory records for an additional 70,014 items. The Library continued to take advantage of varied approaches to processing materials to gain the greatest benefits in production and arrearage reduction: copy cataloging; testing the use of a less full, "national core" record; focusing on completely eliminating particular arrearages; and using automated services developed by the bibliographic utilities for speedier delivery of copy cataloging records. Building on the momentum generated in fiscal 1996 through the Program for Cooperative Cataloging, cooperative arrangements have continued to flourish. Member libraries reached a high of 239 participants and contributed record-breaking totals in fiscal 1997: 57,446 bibliographic records (29,907 for monographs and 27,539 for serials); 137,494 name authorities; 9,364 series authorities; 2,088 subject authorities; and 685 classification numbers. Powerful new PC-based terminals, installed for all cataloging staff by the end of fiscal 1996, helped staff to augment their ability to catalog more efficiently through enhanced automation capabilities.

Some processing accomplishments for fiscal 1997: a group reduced the arrearage of Japanese serials by 13,051 titles; other groups eliminated the arrearages of Sanskrit and Thai; a small group processed the remaining Italian art books housed in the John Adams building -- one year ahead of schedule; production of catalog records for juvenile materials increased by 29.1%; a group completely processed 22,785 nineteenth-century pamphlets, mostly on religious topics; another group cataloged 1,109 historic sound recordings; and a group provided inventory control and preliminary cataloging for 1,000 printed items in the Marian S. Carson Collection.

To support better organizing and making the Library's collections maximally accessible, the Program for Cooperative Cataloging (PCC) and the Cooperative On-line Serials Program (CONSER), the Library's cooperative cataloging programs, moved toward consolidation into one program. This will increase efficiency and enhance the Library's ability to obtain high-quality cataloging records from participating institutions with minimal additional processing, allowing the Library's catalogers to focus on processing materials in more esoteric languages and to focus on arrearage reduction efforts.

- ▶ **Off-Capitol Hill Collections Storage** - Linked to the Library's arrearage reduction project is the development of a secondary storage site to house processed materials and to provide for growth of the collections through the first part of the 21st century. During fiscal 1997, the Library worked closely with the Architect of the Capitol (AOC) and with their contract architectural firm to ensure that the first storage module at the Fort Meade, Maryland campus meets the necessary environmental requirements to house and preserve the transferred collections and that materials handling will be as efficient as possible. Plans call for the initial module, which employs cardboard boxes on wide-span shelving and houses paper-based collections, primarily books, to be ready for occupancy by the end of fiscal 1999.

- ▶ **Preservation Improvements** - The Library took action during 1997 to improve the preservation of its vast and diverse collections by (1) developing a strategy for unified preservation of audio and video collections in digital as well as analog formats; (2) completing the mass deacidification treatment of 67,000 additional books from the general and special collections using the Bookkeeper limited production contract and obtaining congressional approval of a plan that will make deacidification a permanent preservation activity and enable the Library to deacidify many more books in the next four years; (3) implementing the emergency response plan by planning for advance contracting in the event of a disaster, initiating risk assessments in collections storage areas, training Library staff, refining emergency notification and communication systems, and replenishing response and recovery supplies; (4) producing protective enclosures using the computer-driven, automated box-making machine; (5) increasing labeling output by using an improved automation program and transferring labeling duties to the technicians in the Cataloging Directorate; (6) completing the microfilming of telephone directories from as early as 1884 through 1987; and (7) contributing to the National Digital Library by training staff and contractors in the proper handling of materials

during preparation and scanning and treating collection items in conjunction with scanning.

- ▶ **Copyright Arbitration Royalty Panels (CARPs)** - In fiscal year 1997, the Copyright Office began proceedings to adjust the rates of five compulsory licenses: (1) the satellite compulsory license, 17 U.S.C. 119; (2) the noncommercial broadcasting license, 17 U.S.C. 118; (3) the mechanical license, 17 U.S.C. 115; (4) the digital phonorecord delivery license, 17 U.S.C. 115; and (5) the license covering digital subscription transmissions of sound recordings, 17 U.S.C. 114. For the mechanical license, the parties interested in adjusting the rates successfully concluded negotiations. The adjustment of the rates for the three remaining licenses, however, have required or will require a hearing before an arbitration panel. On October 28, 1997, the final determination setting new royalty rates for the satellite compulsory license was published in the Federal Register. The final determinations setting the rates for the noncommercial broadcasting license and the section 114 license will be issued in 1998.

At the request of Senator Orrin Hatch, Chairman of the United States Senate Committee on the Judiciary, the Copyright Office conducted a study in 1997 concerning the copyright licensing regimes governing the retransmission of over-the-air broadcast signals by cable systems, satellite carriers, and other multichannel video providers. The Copyright Office made numerous recommendations for amending the cable and satellite compulsory licenses in its report to the Congress and will continue to work with congressional staffs on these issues in 1998.

- ▶ **Implementation of the Copyright Restoration Provision of the GATT Uruguay Round Agreements Act** - On January 1, 1996, this act restored the copyrights of a vast amount of foreign works that were previously in the public domain in the United States. From January 1996 through September 1997, the Copyright Office processed a total of 4,638 documents containing 20,436 restored titles. Using new application forms, the Copyright Office has also processed 1,511 GATT registrations and 289 GATT Group Registrations.
- ▶ **National Library Service for the Blind and Physically Handicapped (NLS)** - During 1997, several significant achievements were realized: (1) The digital talking book, the next generation library access medium for blind and physically handicapped individuals, took a step closer to reality when NLS initiated the development of a technical standard through the National Information Standards Organization (NISO), (2) The Volunteer Repair Project (VRP), a national NLS machine-repair training program for volunteers, completed its initial series of regional training sessions. The VRP is a joint effort of NLS, the Telephone Pioneers of America, the Elfuns, and other repair volunteers geared toward helping the leaders of repair facilities standardize and improve machine-repair operations throughout the United States, (3) Starting in January 1998, new titles will make up almost one-third of the eighty-two braille and audio magazines offered to NLS patrons. Some titles will be available on cassette for the first time. These improvements to the magazine program are the result of two studies recently

conducted by NLS, one on magazine format and the other on magazine content, to determine the extent to which magazine offerings meet patron needs, (4) A cooperative venture between the Recording Industry Association of America (RIAA) and NLS has resulted in high-speed duplicating machines once used to make counterfeit music tapes being donated to NLS regional libraries. Such machines, which are seized by local law enforcement agencies, were once routinely destroyed to prevent their falling back into the hands of tape pirates, and (5) More than 500 additional records from the Jewish Braille Institute were added to the Union Catalog, bringing the catalog to a total of 235,244 catalog records representing a collection of nearly 16,000,000 copies of audio and braille books after purging of more than 20,000 records of weeded books from the collection of Recording for the Blind and Dyslexic, Inc.

- ▶ **American Folklife Center (AFC)** - In fiscal 1997, the AFC made available online the WPA Northern California Folk Music Collection, the first collection from its Archive of Folk Culture to become part of the National Digital Library. During the first two months it was available, the collection, dubbed "California Gold" in the on-line version, received 50,000 hits per month. In cooperation with the Center, private-sector record companies have released (1) two new compact discs featuring Brazilian music for the Endangered Music Project; (2) the first three in a series of twenty-some reissues, in compact-disc form, of the legendary recordings from the Archive of Folk Culture; and (3), one compact disc produced by folklorist Stephen Wade featuring a selection of great performances from the Center's published field recordings.

- ▶ **Bringing Treasures to the People** - The Library's collections were shared with hundreds of thousands of Americans through exhibitions, special events and symposia, traveling exhibits, and major publications. The Library continues to lead the Nation in the presentation of on-line exhibitions which now number 15.

- ◆ Major exhibitions included **American Treasures of the Library of Congress** which opened in May 1997 as a permanent installation of Library treasures relating to America's past including a rotating display of "Top Treasures"; **Frank Lloyd Wright: Designs for an American Landscape, 1922 - 1932**, organized jointly by the Library of Congress, the Canadian Centre for Architecture, and the Frank Lloyd Wright Foundation, which featured five unbuilt Wright projects and reflected Wright's concept of the integration of architecture, terrain, and the automobile; **Jules Feiffer: Cartoons and Manuscripts**, cartoon drawings, manuscripts, posters, and illustrations which chronicled Feiffer's early development as a cartoonist; **Hong Kong: From Fishing Village to Financial Center**, which marked the return of Hong Kong from British to Chinese rule and depicted the history, economy, culture, society and art of the city; **Let There Be Light: William Tyndale and the Making of the English Bible**, which told the history of the English-language bibles and recounted the life and work of the English priest William Tyndale, who translated the New Testament from the original Greek to English and had it printed in 1526 at a time when church and civil authorities were wary of any printed translations of the authorized Latin version of the Bible; **The Work of Charles and Ray Eames: A**

Legacy of Invention, done in collaboration between the Library and the Vitra Design Museum, Weil Am Rhein, Germany, which displayed the unparalleled Eames collections of the two institutions and opened at the Vitra Design Museum, its first European venue. The Eames exhibit will open at the Library of Congress, its first U.S. venue, in May 1999.

- ◆ The Library's traveling exhibition program sent eight exhibitions to 23 sites in 16 states. The Library arranges tours for two different types of exhibits. The first are well regarded and highly visible exhibitions, such as **From the Ends of the Earth: Judaic Treasures from the Library of Congress** and **The Work of Charles and Ray Eames**, which display original manuscripts, scrolls, and other items, and are available to large, major museums and institutions. The second are smaller traveling exhibitions, such as **Women Come to the Front: Journalists, Photographers, and Broadcasters during World War II** and **The Cultural Landscape of the Plantation**, which rely on facsimiles and are available to libraries, schools, and smaller museums.
 - ◆ The Visitor Services Office conducted 2,114 tours for 65,717 visitors; honored 12,669 reservations for congressional constituents, including 9,001 participants on 416 tours; arranged for 639 professional appointments for 3,920 VIPs, professionals, and students representing 99 different countries. The Office initiated a full-scale volunteer program with the training and assignment to duty of 99 volunteers. These volunteers provided 18,086 hours of service, conducted 1,330 public tours, and responded to inquiries from 184,473 visitors.
 - ◆ Co-publishing arrangements with trade publishers, in fiscal 1997, included **American Treasures in the Library of Congress** (Abrams); **The Work of Charles and Ray Eames: A Legacy of Invention**; and **Heart of the Circle: Photographs by Edward S. Curtis of Native American Women**.
 - ◆ The Library's bi-monthly Civilization magazine, commercially published under a licensing agreement, completed its third year of publication with some 250,000 paid subscribers, who are also Library of Congress Associates.
- ▶ **Restoration and Renovation of the Thomas Jefferson and John Adams Buildings** - The Architect of the Capitol (AOC) completed construction of the Thomas Jefferson Building Visitors' Center in April 1997. The Center includes two volunteer staffed information desks and a new visitors' theater. The Library officially opened the Thomas Jefferson building to the public on May 4, 1997. A public celebration on that day, which was billed the **Festival of Cultures**, was held to open the permanent treasures exhibition and to feature the beauty of the building. On that date, the Library opened the African/Middle East, Asian, and European Reading Rooms, the Library's Scholars' Colonnade, Sales Shop, and the Thomas Jefferson building public cloakroom. The AOC continues to work on the restoration of the Coolidge Auditorium, the Whittall Pavilion, and the Thomas Jefferson building roof replacement project, all expected to be

completed by March 1998. Also, the Library continues to execute its multi-year plan to outfit and occupy the remaining renovated spaces of the Thomas Jefferson and John Adams buildings.

- ▶ **Human Resources Improvement** - The Library enhanced the efficiency of its merit selection system by reducing the average time required to fill positions by 35 percent -- from 168 days to 110 workdays over comparable ten-month periods in calendar years 1996 and 1997. The Library also implemented key provisions of the *Cook* class action settlement agreement, including back-pay awards, promotions, and reassignments. A three-day facilitative leadership training program strengthened the management skills and abilities of all Library managers and supervisors, and the Library established an Internal University office, reporting directly to the Office of the Librarian, to coordinate and enrich Library-wide training and development efforts and activities. The Library also continued to provide diversity awareness training to staff.

- ▶ **Financial Statement Audit Opinion** - In March 1997, the Library's independent accountants, KPMG, Peat Marwick LLP, issued an unqualified "clean" audit opinion on the Library's fiscal 1996 Consolidated Financial Statements. The "clean" audit opinion is the first in the Library's history. The Librarian requested in 1988 the first audit in the Library's history, and the final report by the General Accounting Office (GAO) in 1991 indicated that the Library's accounting systems suffered so many deficiencies that they were unable to render any opinion on the financial statements produced from those systems. The Library made thereafter a large number of improvements in its financial systems, most importantly installing a new central financial management system in fiscal 1995. The preparation of auditable financial statements represents the fulfillment of a basic agency responsibility to safeguard the handling of public monies, and the Library plans to continue the preparation and audit of annual financial statements. The audit report also recommends further improvements in the Library's financial controls and in the control of the Library's collections. The Library's updated strategic plan contains objectives to address the auditor's recommendations.

- ▶ **Gift and Trust Funds** - During fiscal 1997, private gifts supported a variety of new and continuing programs, including: the National Digital Library (NDL); the Junior Fellows Program; the opening of the *American Treasures in the Library of Congress* exhibition, the Library's first permanent exhibition, and three major exhibitions scheduled to open in 1998 (*African-American Odyssey*, *Religion and the Founding of the American Republic*, and *Sigmund Freud: Conflict and Culture*); the Bicentennial Gala, the first benefit in the 197-year history of the Library; the National Film Registry Tour; the Center for the Book; and many other Library activities (e.g., retrospective acquisitions, purchases for the general collections, outreach programs for the blind and physically handicapped, poetry readings, public lectures, concerts, Congressional retreat and seminar programs, Congressional Research Service Visiting Scholar Programs, the Children's Literature Center, the Indian publications microfilming project, the Montana Heritage Project, the Geography and Map Division, a Central and Eastern Europe Library Fellows Program). For the NDL program, \$5.1 million in new pledges were made, bringing the total in

pledges and gifts from the private sector to over \$28 million. In addition, Madison Council member Alexander Papamarkou pledged \$2 million to establish *The Harissios Papamarkou Chair in Education at the Library of Congress*.

Through the planned giving program, the Library received \$1.2 million in various types of gifts. These included bequests from the estates of Rudolph M. Lessing, Lillian G. Edelian, Dwight E. Gray, and Marguerite S. Roll (a former Madison Council member) totaling more than \$792,000. These bequests benefitted the Library's Local History and Genealogy Collections and the National Library Service for the Blind and Physically Handicapped. A five-year charitable remainder trust of \$100,000 was created by Edward and Joyce Miller to benefit the Library's general collections. Income of more than \$278,000 received by the Library from various Charitable Trusts and planned gift vehicles benefitted programs of the Music Division, Library curatorial projects, and maintenance of the Hispanic Reading Room.

- ▶ **Bicentennial Commemoration** - Planning for the Bicentennial commemoration in 2000 began in 1997 with the appointment of a steering committee of senior Library managers under the leadership of the Librarian of Congress. The Bicentennial goal is "To inspire creativity in the century ahead by stimulating greater use of the Library of Congress and libraries everywhere." The Library's 200th anniversary is a unique opportunity to revalidate the historical role of libraries as centers of learning and to reinvigorate the nation through greater use of libraries and wider access to knowledge. The Bicentennial theme of "Libraries--Creativity--Liberty" reflects the essential role that libraries play in a democracy.

The concept of "Gifts to the Nation" is central to the Bicentennial effort. The Congress has, over the years, made its Library itself into a "Gift to the Nation." Sharing the Library's collections and information about the Congress with Americans in their localities through an expanded National Digital Library Program is the Library's major gift to the nation, and gathering in new acquisitions for the Library's collections from individuals and institutions in every congressional district in the nation will further dramatize the Library's role as America's memory. Other Bicentennial projects will strengthen the Library's relationships with Congress, the federal government, the creative community, libraries, the public, and the private sector. A commemorative coin and a commemorative U.S. postal stamp series are planned, along with local history projects, television programming, grass-roots reading promotion efforts, exhibitions, symposia, publications, and projects that promote appreciation of the Library and the history of its buildings, collections, staff, and services.

A Bicentennial home page (<http://www.loc.gov/bicentennial>) provides up-to-date information about the Bicentennial and its programs. The commemoration is being supported primarily through private contributions, with the Library's Madison Council providing substantial funding.

STEWARDSHIP REPORTING

The standard for stewardship reporting on selected assets classified as "Heritage Assets" developed by the Federal Accounting Standards Advisory Board (FASAB) will be mandatory for fiscal year 1998. The standard applies to entities (1) that control stewardship resources and (2) whose financial statements purport to be in accordance with federal accounting principles and standards developed by FASAB and accepted by the principals. All stewardship information will be deemed "required supplemental stewardship information."

In fiscal year 1995, the Library, in consensus with its independent accountants, determined its collections were within the stewardship resource classification and prepared its first stewardship report. By beginning in fiscal year 1995, the Library is developing a data collection and a trial reporting methodology that will lead to fulfilling the objectives of the stewardship reporting standard -- to assist in judging the long-term effectiveness of expenditures for "heritage assets," the results of inputs and outcomes, and the financial impact of sustaining current services.

Consistent with the guidelines provided by FASAB, the Library has prepared its second stewardship report on its collections that provides the suggested relevant information concerning the asset description, acquisition, preservation, security, use, estimated number of items, and expenditures. The Stewardship Report is included in Section 4 of this report.

LIMITATIONS OF THE FINANCIAL STATEMENTS

The Library's financial statements are the culmination of a systematic accounting process. The statements have been prepared to report the financial position and results of operations of the Library of Congress, pursuant to the hierarchy of accounting principles and standards set forth in Note 1 to the Consolidated Financial Statements. While the statements have been prepared from the books and records of the Library, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources to do so.